

Message Text

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ACTION EB-07

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R 021425Z FEB 75
FM AMEMBASSY BRASILIA
RO RUEHC/SECSTATE WASHDC 3644
INFO USDOC WASHDC
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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STATE FOR EB/CBA/OCA

COMMERCE FOR BIC/OED/MEPD

E.O.11652: N/A
TAGS: BTIO, BR
SUBJECT: GENERAL MOTORS REQUEST FOR ASSISTANCE

REF: 75 RIO 3736

1. CONGEN SAO PAULO HAS RECEIVED LETTER FROM EDMUND Q. SYLVESTER, MANAGING DIRECTOR, GM LOCOMOTIVES LTDA., STATING THAT GENERAL MOTORS AND INDUSTRIES VILLARES S.A. CONCLUDED AN AGREEMENT ON DECEMBER 10 TRANSFERRING GM TECHNOLOGY TO VILLARES FOR THE MANUFACTURE, SALES AND EXPORT OF GM LOCOMOTIVES. GENERAL MOTORS/VILLARES WILL ENTER COMPETITION NOW IN PROGRESS FOR SELECTION OF NEW MANUFACTURER OF LOCOMOTIVES WITHIN THE FRAMEWORK OF BRAZILIAN RAILWAY DEVELOPMENT PROGRAM (SEE REFTEL).

2. SYLVESTER'S LETTER TO CONGEN NOTES THAT HIGH LEVEL GOVERNMENT MISSIONS FROM SEVERAL COUNTRIES HAVE VISITED BRAZIL OFFERING FINANCIAL AND TECHNICAL ASSISTANCE IF THEIR OWN COMPANIES ARE COSEN. HE NOTED THAT A MISSION FROM ITALY RECENTLY OFFERED LONG-TERM
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FINANCING OF \$300 MILLION, EQUIPMENT AND TECHNICAL

ASSISTANCE, AND HE ENCLOSED A CLIPPING FROM THE BRAZIL HERALD ANNOUNCING A SYMPOSIUM HELD BY A CANADIAN GROUP AT THE RIO SHERATON JANUARY 26 - 28 TO SELL CANADA. SYLVESTER REQUESTS NO FORMAL ACTION BY THE USG AT THIS TIME, THOUGH HE SAYS, "IT IS RECOMMENDED THAT VIA NORMAL CHANNELS SUPPORT FOR INDUSTRIES VILLARES PROPOSAL SHOULD BE EXPRESSED AND THE GOVERNMENT'S POSITION RELATIVE TO THIS PROPOSAL BE DETERMINED," AND ADDS, "I THINK THE MERITS OF THIS PROJECT PROVIDE AN EXCELLENT OPPORTUNITY FOR OUR GOVERNMENT TO OPENLY ILLUSTRATE OUR CONTINUED INTEREST IN AND SUPPORT OF BRAZIL'S RAPID OVERALL DEVELOPMENT."

3. ACCORDING TO INDUSTRY SOURCES, THE FOLLOWING U.S. FIRMS ARE TEAMED WITH BRAZILIAN PARTNERS: (A) GENERAL MOTORES WITH VILLARES AND (B) A THREE-WAY US/CANADIAN/BRAZILIAN VENTURE CONSISTING OF ALCO INCORPORATED (SUBSIDIARY OF WHITE MOTOR CORPORATION) WITH MONTREAL LOCOMOTIVE WORKS AND EMAG. WE ARE UNCLEAR HOW IMPORTANT ALCO'S SHARE IS IN THIS THREE-WAY VENTURE. GERMAN, FRENCH AND ITALIAN FIRMS HAVE ALSO

4. THE DECISION OF THE BRAZILIAN AUTHORITIES TO ESTABLISH A SECOND DOMESTIC LOCOMOTIVE MANUFACTURER SEEMS FIRM AND GENERAL ELECTRIC, THE ONLY EXISTING DOMESTIC MANUFACTURER IN BRAZIL, THUS WILL BE FACED WITH COMPETITION FROM A SECOND MANUFACTURER. WHILE AN INVESTMENT PROJECT, THE IMPORTS TO INSTALL THE PROJECT WILL BE CONSIDERABLE AND OF SUBSTANTIAL COMMERCIAL IMPORTANCE. THE EMBASSY WISHES TO SUPPORT US BUSINESS IN ITS BID FOR THIS PROJECT, PARTICULARLY IN VIEW OF THE STRONG AND ACTIVE SUPPORT OFFERED BY OTHER GOVERNMENTS TO THEIR NATIONAL COMPANIES. EMBASSY WOULD BE PREPARED TO MAKE INQUIRY AT SECRETARY GENERAL LEVEL IN APPROPRIATE MINISTRIES CONCERNING THE STATUS OF THE PROJECT AND EXPRESS US SUPPORT FOR GM-VILLARES OR, ALTERNATIVELY, PERHAPS FOR BOTH THE GM-VILLARES AND THE THREE-WAY US/CANADIAN/BRAZILIAN VENTURE, ALTHOUGH THIS LATTER COURSE WOULD DILUTE SUCH VALUE AS OUR REPRESENTATION MAY HAVE. IN VIEW OF THE SEVERAL US FIRMS INVOLVED, LIMITED OFFICIAL USE

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EMBASSY WOULD APPRECIATE GUIDANCE ON HOW TO PROCEED.
CRIMMINS

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